



Preparing Your Marketing Efforts for 2009

Marketing, the sometimes art, sometimes science, discipline charged with generating demand and awareness to facilitate the sales organization converting opportunities into revenue, is frequently a misunderstood function within most distributors and manufacturers.

Historically, marketing for distributors revolved around promotions and events, be they counter days, open houses, training events or similar. Promotions were frequently relegated to implementing manufacturer customer promotions and sales spiff strategies, company promotions, or incentive strategies.

More recently, and for more progressive organizations, marketing has become more involved in the mainstream management of the company, helping set strategy and identify opportunities. Issues such as brand management, supplier relations, market research, merchandising, supporting product launches and more are now considered integral to the success of a company.

With 2009 around the corner, many manufacturers and distributors are beginning their planning, considering their strategy for the coming year.

While economic conditions and market niches in your area will dictate your strategy, a review of some of the marketing issues expressed in our Channel Challenges survey can help you further differentiate yourself within your marketplace and to your manufacturers.

Co-Op Funding

As expected, a growing issue is the usage, and earning of co-op / marketing funds.

For years manufacturers have lamented about inappropriate usage of the funds as well as ownership of them. Times are changing! Manufacturers are becoming more performance-oriented. They want to know what the benefit of the requested strategy is to them. And they are

looking to quantify their investments. Rather than fund counter days, they are looking to fund sampling strategies and other initiatives to drive new product sales. According to one manufacturer, "there isn't much value to me of having my salesperson stand at a counter day that has little traffic, let alone not meet with decision-makers."

Reps, as usual, are caught in the middle having to deliver the message of "no". Some, in fact, fund involvement in counter days and open houses themselves to ensure that the line(s) that they represent remain visible.

The form of co-op is changing. Rather than invest a percentage of sales into all distributors, manufacturers are scaling back, and some canceling, their co-op strategies and quietly utilizing market development funds (MDF) to invest in desirable strategies or providing incremental funds based upon sales growth. Distributors who think through a plan and present a strategy to their manufacturer have a better chance of receiving financial support.

Moving into 2009, look for manufacturer marketing funding to further tighten due to economic realities. Funds will exist but manufacturers will be more selective in where they spend them. Distributors need to plan and sell a manufacturer on why the manufacturer should invest in them.

POS

Point of sale (POS) is a hot topic for reps, as it becomes a driver of commission, and an opportunity for manufacturers and distributors.

According to manufacturer survey respondents, to date they receive data from few distributors, even though all distributors with locations in multiple rep territories should be submitting.

# Reporting Distributors	Response %
0	35.1%
1-10	35.1%
11-25	14.0%
26-50	1.8%
51-100	7.0%
101-250	1.8%
250+	3.5%

When asked how they use/would use POS information, manufacturers responded:

POS Usage (if have /had)	Response %
For rep / sales compensation	89.1%
Provide sales information to reps help them manage their business	76.4%
Use information to determine market share	54.5%
Use information for marketing purposes	67.3%

While compensation was expected, a number of manufacturers see the power of information to enhance their sales and marketing efforts.

When distributors were asked about their usage of POS information received from manufacturers, 54.5% viewed the benefits from more of an inventory management viewpoint.

Use POS Information	Response %
Refine inventory	54.5%
Understand my market share	57.6%
Identify additional products that I should be selling	72.7%
No idea	15.2%

Surprisingly, over 72% said that they use/would use the information to identify additional products to sell. This unfortunately contradicts current practice for most distributors due to inadequate analytical tools, the inability to execute on cross-sell strategies and challenges in communicating this information to their sales organization.

67.8% of reps responded that they receive POS information from their manufacturers monthly, which is adequate to respond to marketplace opportunities.

For those distributors and manufacturers who recognize the power of information, and can do something with it, capturing and acting upon the

information for up-selling, cross-selling and vertical marketing initiatives can represent opportunities. A number of leading distributors use tools from companies like Sales Management Plus, www.gosmp.com, to mine their data. Manufacturers are participating and subscribing to data from Vista Information Services, <http://www.vistainfoservices.com/services/electrical-distribution>, to view aggregated POS information to understand their market share and product movement.

Branding

Over the past 10 years, leading distributors have allocated more resources to locally building their brand. This involved marketing communications initiatives, development of services, reaching out to additional product influencers, community involvement and enhanced personal communication. The efforts are paying off.

While competitive pricing is important to capturing business, relationships continue to be the number one reason why customers do business with distributors. This is followed by price and service. At times the equation can be altered if differentiated services are offered. The key to developing these services is listening to the customer, understanding their needs and considering how your core competencies can be annotated to meet the customers' needs.

Surprisingly, when reps were asked their opinion about distributors calling on end-users/specifiers in addition to contractors, 64% either agreed or strongly agreed that distributors should be doing this. While conflict may occur, if there is enough trust in the relationship and the rep's business grows, no one is concerned who generates the business.

Branding to influencers can also have the affect of positioning the distributor as a value-added, independent resource with access to many manufacturer lines.

Product Launches

Product launches are the Achilles heel of the industry. Everyone talks about wanting to do them "better" and resources are expended, but



when it comes time to execute, few consistently succeed.

Our survey asked manufacturers, reps and distributors what is needed to make product launches more successful.

Not surprisingly, the keys, in order of priority, were 1) marketing, 2) training and 3) product availability (from the manufacturer and on the distributor's shelves).

Key manufacturer comments included:

- Distributor management needs to support new product launches
- Distributors should develop a defined system that could be shared with key manufacturers
- Joint plans should specify the role of both the distributor and the manufacturer/rep
- Hold training sessions for all outside and inside staff, including quotations personnel
- Sales and sales management should identify target end users, set sales goals, and adjust compensation policies to reward new product sales
- Samples, or literature, should be freely provided to salespeople and shown/given to customers

Reps commented:

- Need better access to sales samples and "leave behinds" from their manufacturers.
- Group training at distributors should be encouraged at the management level
- Manufacturers should have a realistic timetable of their reps and consider the rep's trade-off ... time invested vs. commissions earned on the new product
- Offer an initial stock promotion that gives distributor investment protection (i.e.; dating, discounts, guaranteed sales) and a promotion to the end user or salespeople
- Target distributor partners with product rollouts rather than "all" distributors.
- Distributors should know their customers' businesses well enough to know which customers would be interested in the new products. Need to target sales opportunities to gain momentum

- Manufacturers should target the end user to drive demand and actively market their products
- Have product available from the factory!

Distributors said:

- Manufacturers should better educate their own sales people on the new products
- Develop programs to initiate the stocking and marketing of the new product(s)
- Have dating and guaranteed sale policies
- Coordinate with their distributor marketing "partners" ASAP to allow for advance planning.
- Supply distributors with end-user samples and literature
- Provide 2-4 minute product demonstration videos aimed at potential customers for use at sales counters and on the web.
- Explain why the product introduction is important and what customer bases are appropriate
- If the product addresses productivity issues, quantify the benefit to the customer

Preparing for 2009

As we head into 2009 it is evident that the trend is for manufacturers to rely more upon their distributors to market their products. The conundrum for manufacturers is that as distributors accept this responsibility they will be more likely to promote their company and specific applications, with tertiary focus on the manufacturer. Manufacturers who co-invest with their distributors will gain preference, and increased visibility, within a given marketplace and the opportunity to grow their business and take market share.

The challenge for a manufacturer is 1) which distributor(s) to invest in and 2) how to best provide in-field marketing planning support. While reps may have local marketplace intelligence, marketing planning has not historically been one of their fortes.

Distributors who view marketing as a strategic resource and a marketplace, and manufacturer



differentiator, can position themselves for superior growth potential.

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